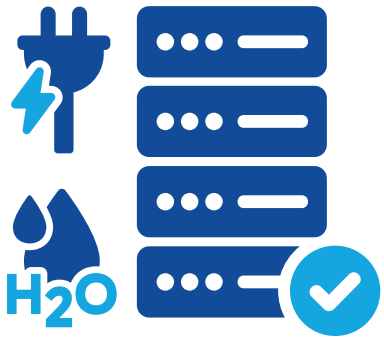
PUBLIC UPDATE

Understanding Memphis Data Center Utility Safeguards



On **September 1, 2026**, **MLGW President & CEO Doug McGowe**n briefed the Memphis City Council during a discussion of data-center growth, utility impacts and a potential temporary moratorium. He outlined the safeguards already in place through MLGW and TVA to protect customers, grid reliability and water resources as new large-load projects are considered.

The source document identifies these remarks.

Grid reliability is reviewed before approval

Every major new electric load is studied before it is approved.

MLGW engineers evaluate whether existing infrastructure can safely serve a project and run **47 different system models** to test outages, new loads and different operating conditions.

If a project would affect the grid, **the company must pay** for the infrastructure upgrades necessary to eliminate that impact before moving forward.

Existing ratepayers are protected

Data centers pay the costs associated with serving their load — not existing customers.

McGowen told City Council there have been no residential, commercial or industrial rate changes because of data centers in Memphis and Shelby County.

Data centers reduce their load when the grid needs power

Large data centers are required to participate in a power interruption program. When electricity is scarce, they can be ordered to dramatically reduce consumption so power remains available for other customers.

So far in 2026, data centers have received **15 curtailment orders and complied with all of them.** During curtailment, a 150 MW load has dropped to approximately **5 M**W.

New projects cannot appear overnight

Large projects move through a lengthy process that can include:

MLGW queue >>> system impact study >>> facility study >>> infrastructure funding >>> TVA approval

McGowen told Council that no previously unapproved data center can simply “pop up” in the coming months because the review and infrastructure process takes time.

Water use is being actively managed

Current safeguards include usage caps, closed-loop systems and plans for recycled-water infrastructure. MLGW also plans to propose a **dedicated data-center water rate and capacity fee** as part of its upcoming budget.

PUBLIC UPDATE

The Facts Behind The Memphis Data Center Guardrails

Large loads pay their own way

Before service is approved, companies may be required to pay for:

- All electric infrastructure upgrades necessary to serve the project
- A higher electric rate than standard commercial and industrial customers
- Upfront construction costs
- New generation capacity when required
- TVA's **$1.52 million-per-megawatt capacity commitment charge** for qualifying large loads

McGowen told Council: "All of that has to be paid for by the company. None of that is paid for by the ratepayers."

Qualifying large-load customers must pay for required infrastructure upgrades, higher electric rates and, when needed, new generation capacity upfront.

Under TVA's capacity commitment charge, a **100 MW project would pay $152 millio**n upfront toward generation capacity.

The grid is tested before power is committed

MLGW engineers evaluate the location of each major load, existing infrastructure and whether new infrastructure will be required.

They run **47 different models** based on outages, future loads and different system configurations.

If an impact is identified, a facility study determines exactly what the company must fund so the project does not reduce grid reliability or power availability.

The project pipeline moves slowly

Projects can wait in MLGW's queue for months before a study even begins.

The next two prospective large projects discussed by McGowen remain under study, with no commitments made. One would also require TVA Board approval and an estimated **$450 million upfront capacity payment before moving forwar**d.

Ten additional applications remain in the queue and have not yet been studied.

Current water use is more nuanced than the perception

Among existing facilities:

- 5C Data Centers is **not** a significant water consumer
- The Tulane facility uses a **closed-loop system** and receives only domestic water service from MLGW
- **NO DATA CENTER IS AMONG MEMPHIS' TOP 20 WATER USERS.**
- The data center is using only **62.5%** of its authorized daily water capacity—**37.5% below the 1.28-million-gallon allowance**.

McGowen said the current largest water users include TVA, the City of Memphis, major industrial facilities, Memphis-Shelby County Schools and Shelby County Government.

Future water demand will transition to planned recycled-water infrastructure

A planned recycled-water facility represents a **major long-term shift** in how Memphis can serve large water users. **Most significantly, it is expected to replace the water now used by TVA** — currently MLGW's largest water customer — with recycled water rather than continued reliance on the aquifer. The facility is also expected to serve CTC/Colossus as its water demand grows. Together, those changes will reduce pressure on Memphis' potable-water supply while creating additional capacity for future growth.

Utility guardrails are only part of the policy conversation

McGowen drew a distinction between the utility safeguards already in place and the zoning and environmental standards now being considered by City Council.

His message was not that additional policy is unnecessary, but that Council has time to develop those standards thoughtfully because the existing utility review process already places substantial controls on how quickly large new loads can move forward.